

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Medical Center of Louisiana at New Orleans
Louisiana State University
Health Sciences Center -
Health Care Services Division
State of Louisiana
New Orleans, Louisiana

December 10, 2003



Financial and Compliance Audit Division

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**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
New Orleans, Louisiana**

Management Letter
Dated November 12, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

December 10, 2003



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November 12, 2003

MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
New Orleans, Louisiana

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2003, we considered the Medical Center of Louisiana at New Orleans' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the medical center's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the Medical Center of Louisiana at New Orleans' internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the medical center's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by United States Office of Management and Budget Circular A-133.

The annual financial information provided to the Louisiana State University System by the Medical Center of Louisiana at New Orleans is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The medical center's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the Medical Center of Louisiana at New Orleans for the year ended June 30, 2002, we reported findings relating to inaccurate patient charges and inadequate controls over movable property. The finding related to inaccurate patient charges has been resolved by management. The finding relating to inadequate controls over movable property has not been resolved and is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2003.

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**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA**

Management Letter, Dated November 12, 2003

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Inadequate Controls Over Movable Property

For the sixth consecutive year, the Medical Center of Louisiana at New Orleans did not maintain adequate internal control over movable property as prescribed by the commissioner of administration and Louisiana law. Louisiana Revised Statute (R.S.) 39:325 requires agencies to conduct an annual inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code (LAC) 34:VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, R.S. 39:323 and LAC 34:VII.307 require that acquisitions be tagged and information forwarded to LPAA within 60 days of receipt of the movable property item(s). In addition, LAC 34:VII.311 states, in part, that property location shall be kept current. We observed the following deficiencies in movable property records:

- In its Certification of Annual Property Inventory dated June 30, 2003, the medical center reported for fiscal year 2003 that it was unable to locate movable property valued at \$1.32 million. In addition, movable property valued at \$4.42 million was reported to be unlocated from the previous three years. However, we selected 11 movable property items for inspection totaling \$247,659 from the unlocated property listing for 2003. We were able to account for eight (73%) of the 11 items. One item valued at \$39,995 was traced to a vendor repair work order and seven other items valued at \$123,744 were physically inspected. These located items decrease unlocated property for fiscal year 2003 by \$163,739 (12%). Therefore, the reported fiscal year 2003 unlocated property listing of \$1.32 million is not accurate, and efforts to locate property have not been sufficient.
- An examination of 11 purchases totaling \$1,305,033 containing 106 movable property items revealed that 29 (27%) of the items valued at \$742,983 were not recorded in compliance with all LAC provisions. Twenty movable property items were tagged and/or assigned tag numbers but were not recorded in the LPAA database for a range of approximately 168 to 367 days as of June 30, 2003. The remaining nine movable property items were untagged and unrecorded for a range of approximately 91 to 326 days as of June 30, 2003.
- Our physical inspection of a sample of 30 movable property items valued at \$3,641,802 disclosed that seven items (23%) valued at \$1,457,622 did not have the correct location codes and 10 items (33%) valued at

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\$334,483 could not be located, two of which were traced to the unlocated/discrepancy report.

- During our walkthrough of the facility, we selected 18 movable property items to compare tag numbers to medical center records; three items (17%) were incorrectly located; four items (22%) were not recorded in the system; and three items (17%) did not have tags affixed.

Failure to locate, timely tag, and maintain current location code records of all movable property exposes the medical center to possible loss, theft, and misuse of its assets.

The medical center should continue its efforts to find unlocated movable property and should improve its efforts to timely tag and report all movable property, including the current location information. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the medical center. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the medical center should be considered in reaching decisions on courses of action. The finding relating to the medical center's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the medical center and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

EB:JR:PEP:dl

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



Health Sciences Center

HEALTH CARE SERVICES DIVISION

Medical Center of Louisiana at New Orleans

Dr. Walter O. Moss Regional Medical Center
E. A. Conway Medical Center
Earl K. Long Medical Center
Huey P. Long Medical Center
Lallie Kemp Regional Medical Center
Leonard J. Chabert Medical Center
Medical Center of Louisiana at New Orleans
University Medical Center in Lafayette
Washington - St. Tammany Regional Medical Center

September 30, 2003

Grover C. Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Response to the Legislative Auditor Findings
Medical Center of Louisiana at New Orleans
Inadequate Controls Over Movable Property

Dear Mr. Austin,

Please find below the Medical Center of Louisiana at New Orleans management response to the fiscal year 2002-2003 audit finding relating to inadequate controls over movable property.

Management concurs with the two audit findings.

As of September 29, 2003, Property Accounting has identified an additional \$771,514 of the 2002 discrepancies reported to Louisiana Property Assistance Agency. We have located \$5.9 million in property that was reported as unlocated in prior years. Of the \$1.3 million reported as unlocated in 2003 only \$85,000 is for equipment purchased in 2001 and 2002. No equipment purchased in 2003 was reported as unlocated. The vast majority of the items purchased prior to 1997 were computers that probably were replaced and the old computer trashed and not reported correctly to LPAA. This year Property Management is going to work with departments to document that items reported as unlocated to LPAA have been disposed of and paper work will be submitted to LPAA to remove those items from our records.

In order to ensure that MCLNO locates, tags, records and updates LPAA AM18 system for all movable property items timely, the following steps will be taken:

1. Run weekly queries in PeopleSoft® to get new acquisitions identified and tagged timely. Property Manager will remind staff weekly that this must be done.
2. Reconcile monthly with our Budget Department on all new acquisitions.
3. Start, complete and certify our 2004 movable equipment inventory from October 2003, through April, 2004.

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Response to Findings – Movable Property
September 30, 2003

These actions will be the responsibility of Bernie Hebert, CFO-MCLNO and Philip H. Baldwin, Jr., Property Control Director-MCLNO. Property Accounting enforcement of MCLNO policies and procedures should resolve this finding to the Legislative Auditor's satisfaction and will continue to do so until successfully eliminated.

Respectfully,



Dwayne Thomas, MD
Chief Executive Officer

DT/bh/esc

Cc: Bernie Hebert, CFO
Ken Laney, Internal Audit Director
Bruce Dyer, Assistant Comptroller
Philip Baldwin, Property Accounting Director
Edward Booker, Auditor-In-Charge